

Message Text

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PAGE 01 MOGADI 00724 170810Z

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 170704Z MAY 75

FM AMEMBASSY MOGADISCIO

TO SECSTATE WASHDC 2896

INFO AMEMBASSY ADDIS ABABA

AMEMBASSY NAIROBI

C O N F I D E N T I A L MOGADISCIO 724

EXDIS

E.O. 11652: GDS

TAGS: EINV, SO

SUBJECT: CONOCO OPTS OUT OF SOMALIA

1. MCWILLIAMS, AMERICAN MGR OF CONTINENTAL OIL (CONOCO) OPERATION IN SOMALIA INFORMED ME ON MAY 16 THAT CONOCO HAS DECIDED TO PULL OUT OF ITS OIL EXPLORATION ACTIVITY IN SOMALIA. HE PASSED THIS DECISION ON IN STRICTEST CONFIDENCE AND ASKED THAT IT NOT RPT NOT BE DISCUSSED FURTHER AT THIS TIME. GSDR HAS NOT YET BEEN INFORMED, NOR HAVE CONOCO PARTNERS IN SOMALI OPERATION (SHELL AND AGIP) OR AMERICAN PERSONNEL IN SOMALIA. MCWILLIAMS SAID CONOCO DECISION IS IRREVERSIBLE.

2. CONOCO WILL INFORM SHELL AND AGIP OF ITS DECISION AT MEETING IN NAIROBI SCHEDULED FOR WEEK OF MAY 22. AT THIS TIME, CONOCO'S PARTNERS WILL HAVE ONE OF THREE OPTIONS: THEY CAN (A) ASSUME CONOCO'S SHARE (B) JOIN CONOCO IN PULL-OUT; OR (C) ASK CONOCO TO FIND THIRD PARTY TO CONTINUE CONSORTIUM.

3. UNDER TERMS OF AGREEMENT, CONOCO MUST DECIDE BY NOVEMBER 15 WHETHER TO DRILL IN SOMALIA OR NOT. DRILLING WOULD INVOLVE CONOCO EXPENDITURE OF SOME US \$ 15 MILLION AND MCWILLIAMS BELIEVES THAT NEITHER SHELL NOR AGIP WOULD BE WILLING TO DOUBLE ASSUMPTION OF ITS SHARE OF THAT FINANCIAL BURDEN. HE SUSPECTS PARTNERS MAY PULL OUT OR ASK CONOCO TO TRY TO FIND THIRD PARTY TO BUY OUT ITS PARTICIPATION.

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4. FOLLOWING NAIROBI MEETING, GSDR WILL BE INFORMED OF CONOCO

DECISION AND OF DECISIONS TAKEN AT NAIROBI MEETING. MCWILLIAMS BELIEVES THAT CONOCO OPERATION WILL CLOSE DOWN WITHIN THIRTY TO SIXTY DAYS AFTER GSDR INFORMED. FUTURE OF CONOCO'S AMERICAN SUB-CONTRACTOR, PETTY-RAY, DEPENDS UPON OPERATIONAL PLAN AGREED TO AT NAIROBI. PETTY-RAY HAS MORE AMERICANS IN SOMALIA THAN CONOCO. PETTY-RAY WOULD REMAIN IF CONSORTIUM CONTINUES SOMALI OPERATIONS WITHOUT CONOCO.

5. CONOCO DECISION BASED WHOLLY UPON TECHNICAL AND FINANCIAL FACTORS. SOMALIA RANKS LOW ON CONOCO WORLD-WIDE INDEX AS POTENTIAL OIL PRODUCER AND IN VIEW OF MORE PROMISING OPPORTUNITIES ELSEWHERE, DECISION WAS MADE TO CLOSE OUT SOMALI OPERATION. CONOCO DECISION COMES LESS THAN MONTH BEFORE ELF BEGINS DRILLING OPERATIONS IN SOMALIA.

6. MCWILLIAMS INFORMED ME SEVERAL WEEKS AGO THAT DECISION WOULD SOON BE FORTHCOMING. HE ALSO ADMITTED THAT AS NOV. 15 DEADLINE APPROACHED POLITICAL CONSIDERATIONS BECAME MORE OF A FACTOR AS TO WHETHER CONOCO WOULD REMAIN IN SOMALIA OR NOT. CONOCO HAS HAD ITS SHARE OF ADMINISTRATIVE PROBLEMS WITH GSDR. HE INSISTED HOWEVER THAT DECISION WAS PURELY TECHNICAL ONE.

HAMRICK

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